

## **DEVELOPMENTAL & MOTIVATIONAL ASPECT OF PERFORMANCE APPRAISAL**

**Dr. Davinder Sharma**

Associate Professor, BCIPS, Dwarka, India

### **ABSTRACT**

*It is regularly recommended that in order for performance appraisal to positively influence employee behavior, employees ought to experience positive appraisal reactions. The objective of the present study was to inspect two different models of the relationship among employee perception of developmental performance appraisal and self-reported work performance. Cross – sectional review of employee's references revealed that the relationship among perceptions of developmental performance assessment and self-reported work performance is mediated by employees' fundamental motivation and is also strongly reasoned by their independence orientation. The most interesting and practically applicable conclusion reported is, how autonomy orientation moderates the association between perception of developmental performance assessment and work performance. Consequently, significance should be emphasized on participation along with autonomy among employees. This may encourage application of performance appraisal involving employees with a strong autonomy course. We also summarized that for employees with a feeble autonomy orientation, the relationship was positive, but for those with tough autonomy orientation, the association was found to be negative.*

**Key words:** Performance appraisal, Human resource management, Performance management, Orientation.

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### **ABBREVIATIONS**

Performance appraisal (PA), Balanced scorecard (BSC), Performance management systems (PMS).

### **1. INTRODUCTION**

Performance Appraisal is often considered as one of the most important human resource practices and also stands as a choicest researched topic in work psychology. Performance Appraisal (PA) has increasingly become part of a more strategic approach in integrating Human Resource (HR) activities with business policies. It is now a generic term that entails a variety of activities through which organizations seek to assess employees in order to understand their competencies, enhance performances and distribute rewards. While both practice and research have now moved away from a narrow focus on psychometric and evaluation issues to a more developmental and motivational aspects of PA; many organizations still

express dissatisfaction with their appraisal schemes (Fletcher, 1997). According to Fletcher, this may be signal for lack of success of PA as a mechanism for developing and motivating employees. Although this is not a novel observation, little systematic research exists on developmental PA.

In recent years, an escalating number of organizations have implemented performance management systems (PMS) as a serious success factor and key performance indicator. A regularly used format in this context is the often-recommended balanced scorecard (BSC), a comprehensive management system of performance measurement linking strategic and short term action planning. BSC focuses on clarifying and translating vision and strategy, communicating and linking strategic objectives with measures, planning and setting targets, and enhancing strategic feedback along with learning. The key purpose of a BSC is that organizations can transform their vision and strategy into operational terms- from management level down to day to day activities. Accordingly, BSC shares the interests of contemporary PA in the developmental and motivational aspects of performance management, making BSC an interesting research context for developmental PA. Besides, BSC is also a widely used management tool; managers' report more than acceptable satisfaction with it. Yet, most of the existing literature on BSC is either normative prescription or naive reports of BSC's attainments. The current study explores two different models of the relationship between PA in a BSC context and work performance: a mediation model and a moderation model. There is a tough belief that as long as employees accept or are content with PA, or when PA is properly managed, PA will be positively associated with work performance. Despite the rhetoric; developmental PA and its impact on motivation, commitment, and work performance, and their intricate relationships are mostly still assumed rather than being tested. Thus, in their recent review of PA research, levy and Williams called for more field research on the relationship between PA reactions, employee attitudes and behavior. In order to learn more about these relationships, this study examined the hypotheses claiming that employee motivation and commitment will mediate the relationship between perceptions of developmental PA and work performance. As much as moderation is concerned, it cannot be expected that all employees will react the same way to PA. On the contrary, the outcomes of PA may depend heavily on individual psychological factors. Moreover, since investigations of individual differences that are likely to influence the relationship between PA and work performance, it is crucial to identify conditions under which PA is more or less effective. We expect this type of research to yield results of practical relevance and not just add to print media or base studies. Consequently, this study tends to propose that the relationship between perceptions of developmental PA and work performance will be further moderated by the autonomy orientation of employees. This individual disposition can explain why people respond differently to job characteristics that may be influenced by PA.

## 2. RESEARCH METHODOLOGY

The review aims to provide a rigorous assessment of the literature on PAs and their link with various direct and indirect indicators of performance, in order to allow the business case for offering PAs to be assessed. Systematic review has been traditionally used in the medical sciences, but has been increasingly adopted in the management literature. Systematic reviews differ from traditional narrative reviews in using a replicable, scientific and transparent process which aims to minimize bias through exhaustive literature searches. They also differ from meta-analyses, which focus on empirical studies and specifically on the aggregate correlation structure of their data (Tranfield *et al.* 2003). Moreover, a systematic review is not a content analysis (e.g. Eby *et al.* 2005), in which exploratory and predictive studies are classified according to their main content and themes. The systematic review process can be described as: 'A review of the evidence on a clearly formulated question that uses systematic and explicit methods to identify, select and critically appraise relevant primary research, and to extract and analyse data from the studies that are included in the review'.

### **3. METHODOLOGY**

A systematic review is guided by a review question, from which keywords for the database searches are defined. In this study, the review question was: "If the relationship between developmental PA and work performance is mediated by employee motivation and commitment or not"

Performance-related outcomes were defined at the individual and organizational levels, and include measures of financial performance, productivity, labour turnover, absenteeism, organizational commitment and job-related well-being. While there is substantial literature on the relationship between PAs and work performance; the link between different measures of PAs and performance is less well-established, although some authors have associated them with job satisfaction and/or organizational commitment.

From our definitions and the review question, key concepts were identified to form the basis of the database searches. The keywords were then selected following discussion between the authors and a review of a number of abstracts from relevant papers. The databases searched were EBSCO, ProQuest and Psych INFO, which were judged to cover the relevant literature. Some keywords are: Developmental Performance Appraisal, Balanced Scorecard, Employee commitments, Employee performance and Employee motivation".

### **4. PERCEPTIONS OF DEVELOPMENTAL PERFORMANCE APPRAISAL AND WORK PERFORMANCE**

Employees may not always perceive the objective existence of human resource practices as the organization intends. For instance, even when, the organization lays out the procedure to be followed in implementation and administration of PA, it is actually, the individual managers, specifically often line managers, who actually manage these procedures. Furthermore, since we know that individual differences among appraisers affect how those appraised experience and react to PA, the best criterion to use for estimation and investigation of PA systems is the response of the appraises.

The most frequently measured reaction in PA research has been some form of PA satisfaction or acceptance. In the present study, we examine employees' perception of developmental PA, which is defined as the perceptive clarity, relevance, recognition and understanding in association with respective goal setting and feedback initiatives involved in PA. More specifically, developmental goal setting refers to the degree to which employees perceive that clarity in goals, their relevance with plausibility, and developmental feedback to the extent to which employees experience recognition from feedback that is perceived as clear relevant and understandable. These perceptions represent some of the most important underlying mechanisms used in explaining goal setting along with feedback, which is a key PA activity in organizations. These are known to be associated with employee motivation, commitment, skills, and performance.

### **5. MEDIATING ROLES OF INTRINSIC MOTIVATION AND AFFECTIVE COMMITMENT**

Goal setting and feedback are widely believed to affect performance positively through enhancing the information and motivation necessary for work performance. Consequently, we expected that the effect of PA on employees' work performance would be mediated by work motivation. Here it is suggested that intrinsic work motivation and affective organizational commitment are potential mediators between perceptions of developmental PA with work performance. Fundamental motivation is the motivation to perform an activity for its own sake, in order to experience the satisfaction inherent in the activity. Roberts and Reed proposed that participation, goal and feedback increase appraisal acceptance, which affect appraisal satisfaction and ultimately employee productivity. Furthermore, research on the job characteristics model has supported the relationships between the psychological states of experienced meaningfulness, responsibility of outcomes and awareness of the actual result of the work, and intrinsic motivation. The focus of PA in a BSC context, on communicating and translating strategic visions and goals to employees may be particularly effective in increasing intrinsic motivation through experienced meaningfulness of

work, because super ordinate goals have the capacity to convey to employees something they can believe in.

Similarly, according to self-determination theory, intrinsic motivation will increase as long as communication of organizational goals provides rationale for behavior at work. Systematic performance feedback may impact intrinsic motivation through increased level of experienced responsibility of the outcomes and knowledge of the concrete results of the work. Feedback that is seen as recognition of good performance may also increase intrinsic motivation because it may enhance employees' perceived competence. There are reasons to believe that perceptions of developmental PA may operate via intrinsic motivation to influence work performance. As much as the relationship among intrinsic work motivation and work performance is disturbed, a meta-analysis by Fried and Ferris showed that the motivational perspective of the work characteristics in the job characteristics replica was associated with work performance indirectly supporting this relationship. Intrinsic motivation as an analyst of performance is also supported by investigations within sports. Affective organizational commitment describes "an affective or emotional attachment to the organization such that the strongly committed and different measures of work performance are provided by two recent meta-analyses". In a case study of the BSC as a device for communicating and controlling strategy, Malina and Selto concluded that "The BSC does present significant opportunities to develop, communicate and implement strategy". Latham called attention to the affective and emotional aspects of super ordinate goals and argued that such goals may capture the "hearts" of employees and give "people a cause they can rally around". Thus to the amount that PA in a BSC framework is effectual in communicating organizational strategies, goal and vision, employees should experience higher levels of commitment to organizational goals and therefore become more affectively committed to their organization.

## **6. MODERATING ROLE OF AUTONOMY ORIENTATION**

Klein and Sgell argued that there is "no best way" to conduct an appraisal interview and that it depends on the situation, the relationship of the parties involved and their individual make up. In a review of an individual psychological perspective on PA, Fletcher claimed that the notion that all appraises are going to react the same way to appraisal is probably very unsafe and Llgen noted that individual differences likely play a substantial role in how people interpret appraisal feedback and how they respond to these interpretations. Here it is suggested that employees' autonomy orientation will moderate the relationship between perceptions of developmental PA and work performance. Autonomy is one of the most fundamental psychological needs and individual differences in autonomy orientation can in part explain why people react differently to external intervention, such as goal setting. Autonomy orientation is rooted in needs and self determination theories, and refers to a character to attend to environment dues that signal personal interest and option for free choice behaviour. When motivated by autonomy orientation, people's choices are made on the basis of internal needs and preference. Research on autonomy orientation or needs for autonomy suggests that people with a strong autonomy orientation are more likely to set master goals for themselves and take greater responsibility for their own performance and those with a low autonomy orientation may actually respond with lower performance. Moreover, autonomy orientation is positively related to internal locus of control, and in a PA setting, Tang et al found that internal abilities were not affected by self-reported appraisal feedback, whereas externals employees who are high on internal ability, a measure of individual difference in feedback preferences where an internal ability propensity reflects the ability to self-assess, to recognize what is requisite by way of performance and the ability to judge one's progress towards it, will respond best where appraisal is initiated and led by their self-assessment. Together, these findings and theoretical arguments suggest that employees with a low autonomy orientation will respond positively to developmental goal setting and feedback by performing well.

## 7. POSITIVE INFLUENCE OF PERFORMANCE APPRAISAL

In order for performance appraisal to positively influence employee behaviour and future development, employees must experience positive appraisal reactions. Thus, there is a general consensus among PA researchers and practitioners that assessment of appraisal reaction is important. However, one of the key findings of the present study suggests that perceptions of developmental PA do not increase work performance. When it was controlled for demographic characteristics and other relevant factors in a PA context, such as affective commitment, intrinsic motivation and autonomy orientation, there was no direct relationship between perceptions of developmental PA and work performance. The most interesting and perhaps most practically relevant finding of this study was that, autonomy orientation moderated the relationship between perceptions of developmental PA and work performance. It makes intuitive sense that employees with a strong autonomy orientation, with internal locus of control, or with a high internal ability propensity, will be less affected or not affected at all by external interventions, such as goal setting and feedback involved in PA. Still, a negative relationship was not expected. This finding may imply that these employees experienced developmental performance appraisal as controlling, which in turn could have undermined their need for autonomy and therefore adversely affected performance. Since autonomy orientation was the most powerful predictor of work performance, it is also possible that high performing employees with a strong autonomy orientation experienced developmental PA as too much of a good thing. These employees already perform well and may think that too much time and energy are being used on providing unnecessarily clear, relevant and understandable goals and feedback and therefore react negatively to developmental PA. An interesting avenue for future research, then, would be to investigate employees perceptions of being controlled by PA and perceptions of the degree to which PA interferes with day-to-day work activities, and relates these variable to individual differences in autonomy orientation for the best performers, which may be particularly critical for knowledge based organization with few management levels and high levels of autonomy for individual employees. Still, since no single study can provide conclusive evidence, this interpretation should be examined in future PA research. On the more positive side, the measure of perceptions of developmental PA was positively related to both affective commitment and intrinsic motivation, and tests of mediation suggest that intrinsic motivation may mediate the relationship between developmental PA and work performance. These results support previous findings and propositions, but it should be noted that there was a relatively weak relationship between developmental PA and performance before intrinsic motivation was entered.

Similar findings have been taken as a support for the concept that “properly conducted performance appraisal can provide numerous positive organizational results”. Yet, such findings simply imply that employees with positive perceptions of PA have higher affective commitment and intrinsic motivation, while those with less positive perceptions are less committed and intrinsically motivated. Similarly, negative reactions such as the perception that ratings are influenced because of rater’s personal disparity and intent to punish subordinates are negatively related to job satisfaction and positively related to turnover intention. Consequently such findings underscore the importance of employee reactions to performance appraisal, but they do not provide much information about the quality of PA as a developmental management tool. The present study adds to the literature by indicating that PA in a balanced scorecard context may increase affective commitment and intrinsic motivation, to the extent that employees perceive PA as developmental.

The contributions of this research should be viewed in light of several limitations. Primarily, the review was assembled at one point in time, making it impracticable to draw inferences of causality or rule out the possibility of reverse causality for the years chosen to choose research papers were fixed. Also, PA is concerned with a lot more than PA interviews and a range of factors beyond those strictly related to the interviews that influence experiences with PA. Furthermore, it has been reported in one of the manuscripts that interviews are usually not conducted at the same point of time for all employees. Therefore, we may also add that it is far from evident that temporal separation by using a time lag between collecting data on PA and other variables provides more muscle in terms of causality interpretation. Besides, co variation and

temporal precedence are only two out of three bases for drawing more valid causal inferences, and providing control for all other variables that might have caused work performance in one of the studies, making concluding note for such studies extremely difficult. Consequently, experimental and not just review studies are needed to examine causality on the examined subject. However, another study also reported that since moderated regression analysis is sensitive to both range restriction and sample size, relatively large samples are needed in order to capture a wide enough range of individual difference in autonomy orientation and to be able to detect moderation effects. Further meta-analyses if designed will include only such studies.

Another limitation is the reliance on self-reported questionnaire data causing concern about possible mono-method bias and percept-percept inflated measures in most research papers included in the review. A study therefore conducted Harman's one-factor test using a factor analysis of all the multi-item measures. This analysis generated nine factors with eigen-values of 1 or more, and an explained variance of the factors ranging from 2.4 % to 2.8 percent. Although this test is only a diagnostic technique for assessing the degree to which ordinary method variance may be a problem, it seems to indicate that mono-method variance was not a serious threat to at least this particular study but that cannot be said about other studies included. Besides this, another study investigates employees' perception of PA, making it the only construct that could have been validly measured by other means than self report is work performance. Although a minimum of two data sources are needed to help rule out the validity threats of self-report and mono-method, PA research from most studies suggests that performance ratings performed by supervisors are not necessarily less biased than self-report measures. In addition, given the modest correlation between the perceptions of developmental PA and work performance in most studies (Table not included), it is not very likely that common method bias has heavily influenced the observed relationships. In order to avoid confounded measures of constructs in future, we recommend shortening of some of the scales. Although the final scales may have acceptable reliability estimates, it cannot discount for the possibility that this may impact on some of the findings. Finally, it is obviously a limitation that the reviews were obtained only from limited studies and relationships may differ in various organizations, in different industries, or in various countries. For instance, most research quoted here on performance appraisal is conducted in the US or English states, and it is questionable that the findings from this research can be generalized. Moreover, the link between intrinsic job characteristic and job satisfaction found to be similar across richer countries, countries with improved government social wellbeing programs, more individualistic countries, and small power distance countries. Since all of these characteristics apply to most western countries and the relationship referred to relative to key consumers in the present studies, there is evidence supporting the notion that the results may have implications in other western countries as well but will be limited to them? The research in other organizations from different industries in other countries is warranted before any firm conclusions can be drawn for how PA works are affects the employees.

## **8. CONCLUSION**

Beyond the practical implications already touched upon, the findings of the present study suggest that in order to avoid unintended outcomes; it may be wise to be flexible in the application of PA. Through viewing performance assessment as a mechanism for management control, power and management may replicate a relatively monothematic and overly-simple account; employees with a strong independence direction may to a greater degree than others react according to the concerns laid out in the more critical viewpoints on performance appraisal. Thus, if the main principle of performance appraisal is enlargement, both the organization and the employees with a strong autonomy orientation may actually be enhanced off without austerely formalized appraisal. If prescribed evaluation is necessary, extra importance should be put on participative and autonomy supportive application of PA concerning such employees. Several field studies sustain the universal significance of employee "voice" and participation in PA, especially involvement for the sake of having one's voice heard, and management support may be particularly essential for employees with a strong autonomy orientation.

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